



**Bangor Township Schools**  
**Bay City, Michigan**

**Financial Statements**

**For the Year Ended June 30, 2008**



**REHMANN ROBSON**  
*Certified Public Accountants*

# **BANGOR TOWNSHIP SCHOOLS**

**JUNE 30, 2008**

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# BANGOR TOWNSHIP SCHOOLS

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## INDEPENDENT AUDITORS' REPORT

November 13, 2008

To the Board of Education  
Bangor Township Schools  
Bay City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Bangor Township Schools***, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ***Bangor Township Schools***, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Bangor Township School's*** basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of ***Bangor Township Schools***. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

# **Bangor Township Schools**

## **Management's Discussion and Analysis**

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The Bangor Township School District is a K-12 school district located in Bay City, Michigan.

As management of Bangor Township Schools, we offer the readers of the BTS's financial statements this narrative overview and analysis of the financial activities of the District for the years ended June 30, 2007 and 2008. The management's discussion and analysis is provided at the beginning of the audit to provide an overview of the past and current position of the School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Food Service, Community Service, Athletic, Capital Project, and Debt Service Funds.

### **USING THIS FINANCIAL REPORT**

This discussion and analysis is intended to serve as an introduction to the Bangor Township School's basic financial statement. The BTS's basic financial statements are comprised of five components: 1) district-wide financial statement, 2) fund financial statements, 3) single audit, 4) statement of fiduciary net assets and 5) notes to the financial statements. This report contains supplementary information to compliment the financial information provided.

### **District-Wide Financial Statements**

The district-wide financial statements are designed to provide readers with a broad overview of the Bangor Township Schools finances, similar to the private sector financial statements. They provide a clear picture of the District as a single entity to complement the traditional fund-based financial statements.

The statement of net assets presents information on all of the BTS's assets and liabilities, with the difference between the two reported as net assets. Net assets should be understood as a measure of "net worth" rather than as a measure of expendable or available resources. Over time, increases or decreases in the net assets of the district may serve as a useful indicator of whether the Bangor Township School's financial position is improving or deteriorating.

### **Fund Financial Statements**

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a modified accrual basis. The assets that are measurable and currently available are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

# Bangor Township Schools

## Management's Discussion and Analysis

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### Fiduciary Fund

Bangor Township School District acts as the trustee for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### Statement of Net Assets

The statement of net assets provides the perspective of the Bangor Township Schools as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2008 and 2007.

**Table 1 Governmental Activities**

<b>Assets</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>
Current and other assets	\$ 4,858,647	\$ 5,156,612
Capital assets	24,992,178	25,352,050
Less Accumulated Depreciation	(7,399,996)	(8,025,025)
Capital Asset, Net Book Value	17,592,182	17,327,025
Total Assets	22,450,829	22,483,637
<b>Liabilities</b>		
Current liabilities	2,250,700	2,542,611
Long-term liabilities	15,699,982	15,179,007
Total liabilities	17,950,682	17,721,618
<b>Net Assets</b>		
Invested in capital assets net of related debt	4,083,180	4,276,940
Restricted	763,801	419,784
Unrestricted	(346,834)	65,295
Total net assets	\$ 4,500,147	\$ 4,762,019

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$4,762,019 at June 30, 2008. Capital assets, net of related debt,

## **Bangor Township Schools**

### **Management's Discussion and Analysis**

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totaled \$4,276,940. This compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. The remaining amount of net assets, \$65,295 was unrestricted. The \$65,295 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year-to-year. The results of this year's operations for Bangor Township Schools District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2008. As reported in the statement of activities, the cost of all governmental activities this year was \$23,396,071. Certain activities were partially funded from those who benefited from the programs \$1,076,043 or by other governments and organizations that subsidized certain programs with grants and contributions \$3,488,035. The remaining "public benefit" portion of governmental activities was funded with \$4,704,398 in taxes, \$14,389,467 in State foundation allowance and other unrestricted State revenues, and with other revenues, such as interest and general entitlements. Bangor Township Schools District experienced an increase in net assets of \$261,872. The assets increased primarily as a result of ongoing operations in the School District. In addition, long-term debt decreased by \$520,978 in 2008.

# Bangor Township Schools

## Management's Discussion and Analysis

**Table 2 Governmental Activities**

**Revenue**

	<u><b>June 30, 2007</b></u>	<u><b>June 30, 2008</b></u>
Program revenue		
Charges for services	\$ 942,063	\$ 1,076,043
Operating grants	3,836,242	3,488,035
General revenue:		
Property taxes-general	4,363,150	4,704,398
Investment earnings unrestricted	94,862	86,831
State aid unrestricted	14,238,297	14,215,596
Other	357,227	87,040
Total revenue	<u>23,831,841</u>	<u>23,657,943</u>

**Functions/Program Expenses**

Instruction	11,957,215	11,650,058
Support services	7,674,146	7,695,126
Food services	928,203	1,002,151
Athletics	449,848	384,051
Community services	1,358,458	1,390,324
Interest on long-term debt	504,151	459,971
Depreciation (unallocated)	792,937	814,390
Total expenses	<u>23,664,958</u>	<u>23,396,071</u>
<b>Increase (decrease) in net assets</b>	<u><u>\$ 166,883</u></u>	<u><u>\$ 261,872</u></u>

As discussed above, the net cost shows the financial burden that was placed on the State and Bangor Township Schools Districts' taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted revenues.

# Bangor Township Schools

## Management's Discussion and Analysis

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### The School District's Funds

As noted earlier, Bangor Township Schools District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether Bangor District is being held accountable for the resources taxpayers and others provide to it and may give more insight into the School District's overall financial health.

As the School District completed the 2008 school year, the governmental funds reported a combined fund balance of \$2,554,393, an increase of \$3,507 from the prior year. The changes by major and non-major funds are as follows:

	<b>General Fund</b>	<b>2003 Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Fund balance beginning of year	\$ 1,491,946	\$ 119,375	\$ 939,565	\$ 2,550,886
Increase/(Decrease)	29,532	(119,375)	93,350	\$ 3,507
Fund balance end of year	<u>\$ 1,521,478</u>	<u>\$ -</u>	<u>\$ 1,032,915</u>	<u>\$ 2,554,393</u>

In the General Fund, our principal operating fund, the fund balance increased by \$29,532 from last year. The district made the decision to reclassify the Michigan Works! Program from the general fund to the community service fund to more accurately reflect the operations of the district during the fiscal year. This provides a more consistent comparison of the educational component of the district's operations. In making this change, the revenues decreased by \$173,898 from the prior year and expenditures decreased by approximately \$268,887 for a total of \$23,396,071. By comparison, the General Fund balance increased by \$37,361 for the year ended June 30, 2007. Revenues increased primarily as a result of increase in the funds received from the State of Michigan and due to higher enrollments. Expenditure increases are a normal part of operations as a result of salary and benefit increases, increased costs for utilities, and other operating expenses. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

The 2003 Capital Project Fund balance was \$0 as Bangor Township Schools has completed the renovation projects. The bond issue expenditures were completed by October 31, 2007. The fund balance for the Debt Service funds was \$278,281. Millage rates were established at 2.1700 mills in order to pay the additional debt incurred in the 2003 fiscal year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue costs related to debt service. The other non-major funds increased by \$93,350.

# Bangor Township Schools

## Management's Discussion and Analysis

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### General Fund Budgetary Highlights

Over the course of the year, Bangor Township Schools revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted in June 2008. A statement showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in these financial statements. There were revisions made to the 2007-08 General Fund original budget. There was a significant shift in the revised budget for the fiscal year to move the Michigan Works! Program revenue and expenditures to the Community Service fund from the general fund.

### Capital Asset and Debt Administration

#### **Capital Assets**

At June 30, 2008, the School District had \$17,327,025 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$265,157 or 1.5%, from last year.

	<b>2007</b>	<b>2008</b>
Land	\$ 181,770	\$ 181,770
Buildings and improvements (net of accumulated depreciation)	17,170,544	16,720,823
Furniture, equipment and vehicles (net of accumulated depreciation)	239,868	424,432
Total capital assets	<u>\$ 17,592,182</u>	<u>\$ 17,327,025</u>

The 2003 Capital Projects Fund was completed during the fall of 2007. Additional information regarding capital assets can be found in the notes to the financial statements.

#### **Debt**

At the end of this year, Bangor Township Schools District had \$ 12,891,503 in bonds outstanding versus \$ 13,336,503 in the previous year - a change of 4.6%. Those bonds consisted of the following:

	<b>2007</b>	<b>2008</b>
General Obligation Bonds	<u>\$ 13,336,503</u>	<u>\$ 12,891,503</u>

# **Bangor Township Schools**

## **Management's Discussion and Analysis**

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The School District's general obligation bond rating continues to be AAA. Other obligations include accrued retirement incentive, vacation pay, and sick leave. We present more detailed information about our long-term liabilities in the notes to financial statements.

### Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2008-09 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008-09 fiscal year is 25% of the February 2008 and 75% of the September 2008 student counts. The 2008-09 budgets were adopted in June 2008, based on an estimate of 2,510 students that will be enrolled in September 2008. Approximately 88% of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds revenue estimating conferences to estimate revenues. If actual State revenues are less than their estimates, reduction to the per-pupil funding allowance may be necessary. The School District General Fund balance of \$1,521,478 is sufficient to meet any unanticipated shortfalls the State may experience in the School Aid Fund.

### Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to Director of Finance and Operations, Bangor Township Schools, 3359 E. Midland Road, Bay City, Michigan 48706; telephone number 989-684-8121.

**BANGOR TOWNSHIP SCHOOLS**  
**BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Bangor Township Schools**  
**Statement of Net Assets**  
**June 30, 2008**

	<b>Governmental Activities</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 668,060
Investments	1,024,229
Receivables	3,455,487
Prepaid items and other assets	8,836
Capital assets not being depreciated	181,770
Capital assets being depreciated, net	17,145,255
	<hr/>
<b>Total assets</b>	<b>22,483,637</b>
	<hr/>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,360,315
Unearned revenue	182,296
Long-term debt:	
Due within one year	720,948
Due in more than one year	14,458,059
	<hr/>
<b>Total liabilities</b>	<b>17,721,618</b>
	<hr/>
<b>Net assets</b>	
Invested in capital assets, net of related debt	4,276,940
Restricted for:	
Debt service	419,784
Unrestricted	65,295
	<hr/>
<b>Total net assets</b>	<b>\$ 4,762,019</b>
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The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Governmental activities:					
Instruction	\$ 11,650,058	\$ 15,444	\$ 271,772	\$ -	\$ (11,362,842)
Supporting services	7,695,126	268,500	1,490,409	-	(5,936,217)
Food service	1,002,151	514,277	548,547	-	60,673
Athletics	384,051	79,915	-	-	(304,136)
Community service	1,390,324	197,907	1,177,307	-	(15,110)
Interest on long-term debt	459,971	-	-	-	(459,971)
Unallocated depreciation	814,390	-	-	-	(814,390)
<b>Total</b>	<b>\$ 23,396,071</b>	<b>\$ 1,076,043</b>	<b>\$ 3,488,035</b>	<b>\$ -</b>	<b>(18,831,993)</b>
General revenues:					
Property taxes					4,704,398
Unrestricted state aid					14,215,596
Grants and contributions not restricted to specific programs					87,040
Unrestricted investment earnings					86,831
Total general revenues					19,093,865
Change in net assets					261,872
Net assets, beginning of year					4,500,147
<b>Net assets, end of year</b>					<b>\$ 4,762,019</b>

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

**Bangor Township Schools**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	<u>General Fund</u>	<u>2003 Bond Issue Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 617,747	\$ -	\$ 50,313	\$ 668,060
Investments	438,691	-	585,538	1,024,229
Accounts receivable	2,460	-	-	2,460
Due from other governments	2,835,131	-	617,896	3,453,027
Due from other funds	461,284	-	388,452	849,736
Inventories	1,625	-	7,211	8,836
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 4,356,938</u>	<u>\$ -</u>	<u>\$ 1,649,410</u>	<u>\$ 6,006,348</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	493,255	-	13,708	506,963
Accrued payroll	1,528,079	-	-	1,528,079
Accrued liabilities	243,378	-	-	243,378
Due to other funds	388,452	-	461,284	849,736
Deferred revenue	182,296	-	141,503	323,799
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>2,835,460</u>	<u>-</u>	<u>616,495</u>	<u>3,451,955</u>
<b>Fund balances</b>				
Reserved:				
Reserved for inventories	1,625	-	7,211	8,836
Reserved for capital projects	8,451	-	-	8,451
Unreserved:				
Undesignated	1,511,402	-	-	1,511,402
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	423,412	423,412
Debt service funds	-	-	278,281	278,281
Capital projects funds	-	-	324,011	324,011
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,521,478</u>	<u>-</u>	<u>1,032,915</u>	<u>2,554,393</u>
 <b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	 <u>\$ 4,356,938</u>	 <u>\$ -</u>	 <u>\$ 1,649,410</u>	 <u>\$ 6,006,348</u>

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2008**

Fund balances - total governmental funds	\$	2,554,393
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets		25,352,050
Deduct: accumulated depreciation		(8,025,025)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term Durant Settlement receivable		141,503
--	--	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable, net of unamortized premiums, discounts and issuance costs		(12,908,582)
Deduct: accrued interest on bonds payable		(81,895)
Deduct: Durant bonds payable		(141,503)
Deduct: accrued retirement benefits		(645,491)
Deduct: compensated absences		(1,483,431)

Net assets of governmental activities	\$	4,762,019
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The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<u>General Fund</u>	<u>2003 Bond Issue Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Revenue</b>				
Local sources	\$ 4,060,881	\$ 738	\$ 1,799,615	\$ 5,861,234
State sources	15,463,230	-	60,836	15,524,066
Federal sources	703,698	-	1,352,227	2,055,925
Interdistrict sources	195,263	-	-	195,263
Reimbursements	53,880	-	-	53,880
Proceeds from sale of capital assets	2,100	-	-	2,100
	<u>20,479,052</u>	<u>738</u>	<u>3,212,678</u>	<u>23,692,468</u>
Total revenue				
	<u>20,479,052</u>	<u>738</u>	<u>3,212,678</u>	<u>23,692,468</u>
<b>Expenditures</b>				
Instruction	11,892,742	-	-	11,892,742
Supporting services	7,949,964	-	-	7,949,964
Community services	340,814	-	1,050,940	1,391,754
Public improvement	-	-	-	-
Food service activities	-	-	1,008,072	1,008,072
Athletic activities	-	-	384,051	384,051
Debt service:				
Principal repayment	-	-	445,000	445,000
Interest and fiscal charges	-	-	497,265	497,265
Capital outlay	-	120,113	-	120,113
	<u>20,183,520</u>	<u>120,113</u>	<u>3,385,328</u>	<u>23,688,961</u>
Total expenditures				
	<u>20,183,520</u>	<u>120,113</u>	<u>3,385,328</u>	<u>23,688,961</u>
Revenue over (under) expenditures	<u>295,532</u>	<u>(119,375)</u>	<u>(172,650)</u>	<u>3,507</u>
<b>Other financing sources (uses)</b>				
Transfers in from other funds	50,000	-	316,000	366,000
Transfers out to other funds	(316,000)	-	(50,000)	(366,000)
	<u>(266,000)</u>	<u>-</u>	<u>266,000</u>	<u>-</u>
Total other financing sources (uses)				
	<u>(266,000)</u>	<u>-</u>	<u>266,000</u>	<u>-</u>
Net change in fund balances	29,532	(119,375)	93,350	3,507
Fund balance, beginning of year	1,491,946	119,375	939,565	2,550,886
<b>Fund balance, end of year</b>	<u>\$ 1,521,478</u>	<u>\$ -</u>	<u>\$ 1,032,915</u>	<u>\$ 2,554,393</u>

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds	\$	3,507
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	626,288
Deduct: depreciation expense	(891,443)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: long-term Durant Settlement receivable	(34,524)
--	----------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	445,000
Add: amortization of bond premium and discount	20,576
Deduct: amortization of bond issuance costs	(4,540)
Deduct: amortization of bond discount	(2,116)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable on bonds	37,066
Deduct: decrease in the accrual for compensated absences	(315,756)
Add: decrease in the accrual for retirement incentive payable	377,814

Change in net assets of governmental activities	\$	261,872
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The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources:				
Property taxes	\$ 3,573,070	\$ 3,626,476	\$ 3,668,548	\$ 42,072
Property taxes-interest and penalties	5,000	5,000	16,558	11,558
Interest	90,000	56,000	56,329	329
Transfers from other districts:				
Rental of facilities	30,000	40,469	50,166	9,697
Transportation fees	76,000	92,000	218,334	126,334
Medicaid reimbursement	43,336	43,336	35,502	(7,834)
Other	75,481	54,000	15,444	(38,556)
Total revenue from local sources	<u>3,892,887</u>	<u>3,917,281</u>	<u>4,060,881</u>	<u>143,600</u>
State sources:				
State Aid Foundation	13,486,482	13,753,731	13,754,403	672
State School Readiness	237,600	275,859	261,161	(14,698)
Durant	34,525	34,525	34,525	-
At Risk	496,104	550,854	482,864	(67,990)
Special Education	699,026	930,277	930,277	-
Total revenue from state sources	<u>14,953,737</u>	<u>15,545,246</u>	<u>15,463,230</u>	<u>(82,016)</u>
Federal sources - restricted:				
Title I	239,745	239,745	205,465	(34,280)
Title IIA	127,354	127,354	64,507	(62,847)
Title IID	8,500	8,500	1,800	(6,700)
Workfirst	1,008,882	-	354,331	354,331
Idea flowthrough	63,865	61,460	57,906	(3,554)
Special Education	22,909	22,909	19,689	(3,220)
Total revenue from federal sources	<u>1,471,255</u>	<u>459,968</u>	<u>703,698</u>	<u>243,730</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue: (continued)</b>				
Revenue from interdistrict sources				
Special education	<u>\$ 200,000</u>	<u>\$ 115,477</u>	<u>\$ 195,263</u>	<u>\$ 79,786</u>
Reimbursements:				
Proceeds from sale of capital asset	<u>-</u>	<u>2,100</u>	<u>2,100</u>	<u>-</u>
Insurance claims	<u>50,000</u>	<u>53,880</u>	<u>53,880</u>	<u>-</u>
Total revenue	<u>20,567,879</u>	<u>20,093,952</u>	<u>20,479,052</u>	<u>385,100</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures</b>				
Instruction:				
Basic programs:				
Elementary school:				
Salaries	\$ 2,618,000	\$ 2,678,000	\$ 2,661,225	\$ (16,775)
Employee benefits	1,290,700	1,217,900	1,178,055	(39,845)
Purchased services	87,200	86,494	86,162	(332)
Supplies and materials	101,474	199,521	199,907	386
Total elementary school	<u>4,097,374</u>	<u>4,181,915</u>	<u>4,125,349</u>	<u>(56,566)</u>
Middle school:				
Salaries	1,310,000	1,280,000	1,276,446	(3,554)
Employee benefits	647,800	597,300	576,538	(20,762)
Purchased services	52,500	51,000	69,463	18,463
Supplies and materials	77,500	89,100	69,539	(19,561)
Other	1,000	1,000	270	(730)
Total middle school	<u>2,088,800</u>	<u>2,018,400</u>	<u>1,992,256</u>	<u>(26,144)</u>
High school:				
Salaries	1,795,500	1,857,500	1,850,753	(6,747)
Employee benefits	844,604	827,104	819,595	(7,509)
Purchased services	112,000	112,000	124,013	12,013
Supplies and materials	155,700	163,200	144,583	(18,617)
Total high school	<u>2,907,804</u>	<u>2,959,804</u>	<u>2,938,944</u>	<u>(20,860)</u>
Preschool				
Salaries	109,000	92,583	98,488	5,905
Employee benefits	47,391	48,722	48,016	(706)
Purchased services	1,800	6,362	4,176	(2,186)
Supplies and materials	17,652	17,187	17,513	326
Other	3,515	5,000	5,372	372
Total preschool	<u>179,358</u>	<u>169,854</u>	<u>173,565</u>	<u>3,711</u>
Total basic programs	<u>9,273,336</u>	<u>9,329,973</u>	<u>9,230,114</u>	<u>(99,859)</u>
Added needs:				
Special Education				
Salaries	1,176,679	1,164,138	1,148,116	(16,022)
Employee benefits	750,696	711,196	688,835	(22,361)
Purchased services	45,500	49,900	73,672	23,772
Supplies and materials	16,786	12,500	7,219	(5,281)
Other	15,000	15,000	5,627	(9,373)
Total special education	<u>2,004,661</u>	<u>1,952,734</u>	<u>1,923,469</u>	<u>(29,265)</u>

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Instruction (continued):				
Added needs: (continued)				
Compensatory education				
Salaries	\$ 538,821	\$ 538,821	\$ 534,503	\$ (4,318)
Employee benefits	222,893	222,893	192,350	(30,543)
Purchased services	2,000	2,000	2,736	736
Supplies and materials	42,606	42,606	9,570	(33,036)
Total compensatory education	<u>806,320</u>	<u>806,320</u>	<u>739,159</u>	<u>(67,161)</u>
 Total added needs	 <u>2,810,981</u>	 <u>2,759,054</u>	 <u>2,662,628</u>	 <u>(96,426)</u>
 Total instruction	 <u>12,084,317</u>	 <u>12,089,027</u>	 <u>11,892,742</u>	 <u>(196,285)</u>
 Supporting services:				
Pupil services:				
Guidance				
Salaries	285,200	296,200	307,954	11,754
Employee benefits	134,795	137,895	129,248	(8,647)
Purchased services	2,200	500	291	(209)
Supplies and materials	5,100	4,100	3,619	(481)
Total guidance	<u>427,295</u>	<u>438,695</u>	<u>441,112</u>	<u>2,417</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Instructional staff:				
Improvement of instruction				
Salaries	\$ 59,650	\$ 48,280	\$ 49,745	\$ 1,465
Employee benefits	20,310	20,310	20,222	(88)
Purchased services	50,601	50,027	27,906	(22,121)
Total improvement of instruction	<u>130,561</u>	<u>118,617</u>	<u>97,873</u>	<u>(20,744)</u>
Library				
Salaries	119,055	156,840	156,338	(502)
Employee benefits	84,490	79,740	82,745	3,005
Purchased services	9,275	9,160	6,561	(2,599)
Supplies and materials	26,000	22,796	16,973	(5,823)
Other	1,000	10,600	10,600	-
Total library	<u>239,820</u>	<u>279,136</u>	<u>273,217</u>	<u>(5,919)</u>
Computer assisted instruction:				
Purchased services	281,000	271,000	221,669	(49,331)
Supplies and materials	51,800	71,805	74,576	2,771
Other	2,320	2,320	427	(1,893)
Total computer assisted instruction	<u>335,120</u>	<u>345,125</u>	<u>296,672</u>	<u>(48,453)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Instructional staff: (continued)				
Supervision and direction of instructional staff				
Salaries	\$ 85,180	\$ 87,240	\$ 84,163	\$ (3,077)
Employee benefits	47,696	32,321	30,991	(1,330)
Supplies and materials	700	5,500	4,999	(501)
Total supervision and direction of instructional staff	<u>133,576</u>	<u>125,061</u>	<u>120,153</u>	<u>(4,908)</u>
 Total instructional staff	<u>839,077</u>	<u>867,939</u>	<u>787,915</u>	<u>(80,024)</u>
 General Administration:				
Board of education				
Salaries	14,500	14,500	17,168	2,668
Employee benefits	270	270	270	-
Purchased services	75,750	72,750	59,816	(12,934)
Supplies and materials	600	600	354	(246)
Other	25,500	23,000	18,593	(4,407)
Total board of education	<u>116,620</u>	<u>111,120</u>	<u>96,201</u>	<u>(14,919)</u>
 Executive administration				
Salaries	157,000	158,080	173,660	15,580
Employee benefits	62,022	62,022	62,334	312
Purchased services	8,000	8,000	10,783	2,783
Supplies and materials	5,400	5,400	4,147	(1,253)
Other	3,898	3,898	6,184	2,286
Total executive administration	<u>236,320</u>	<u>237,400</u>	<u>257,108</u>	<u>19,708</u>
 Total general administration	<u>352,940</u>	<u>348,520</u>	<u>353,309</u>	<u>4,789</u>
 School administration:				
Office of the principal				
Salaries	767,230	758,650	751,773	(6,877)
Employee benefits	408,243	388,134	375,416	(12,718)
Purchased services	31,600	27,264	25,014	(2,250)
Supplies and materials	10,800	11,349	14,380	3,031
Other	6,250	6,131	6,013	(118)
Total office of the principal	<u>1,224,123</u>	<u>1,191,528</u>	<u>1,172,596</u>	<u>(18,932)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Business Services:				
Fiscal Services				
Salaries	\$ 97,700	\$ 118,700	\$ 115,387	\$ (3,313)
Employee benefits	55,800	60,300	55,819	(4,481)
Purchased services	2,150	2,424	2,294	(130)
Supplies and materials	3,500	3,500	4,103	603
Total fiscal services	<u>159,150</u>	<u>184,924</u>	<u>177,603</u>	<u>(7,321)</u>
Internal services				
Salaries	19,500	19,500	9,839	(9,661)
Employee benefits	5,050	5,050	2,171	(2,879)
Purchased services	40,000	40,000	33,317	(6,683)
Supplies and materials	7,000	7,000	8,977	1,977
Total internal services	<u>71,550</u>	<u>71,550</u>	<u>54,304</u>	<u>(17,246)</u>
Other business services				
Purchased services	74,987	67,501	67,501	-
Other	5,000	6,500	6,871	371
Bad debt	5,000	10,000	10,480	480
Total other business services	<u>84,987</u>	<u>84,001</u>	<u>84,852</u>	<u>851</u>
Total business services	<u>315,687</u>	<u>340,475</u>	<u>316,759</u>	<u>(23,716)</u>
Operation and maintenance of plant				
Salaries	611,830	661,330	661,429	99
Employee benefits	500,718	498,368	456,834	(41,534)
Purchased services	764,614	912,614	1,138,645	226,031
Supplies and materials	102,300	131,300	175,565	44,265
Other	69,000	95,000	239,895	144,895
Total operation and maintenance of plant	<u>2,048,462</u>	<u>2,298,612</u>	<u>2,672,368</u>	<u>373,756</u>
Pupil transportation				
Salaries	646,790	697,790	697,894	104
Employee benefits	251,412	275,412	275,561	149
Purchased services	149,096	147,955	149,909	1,954
Supplies and materials	212,641	233,400	261,885	28,485
Other	6,000	6,000	8,183	2,183
Total pupil transportation	<u>1,265,939</u>	<u>1,360,557</u>	<u>1,393,432</u>	<u>32,875</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Expenditures (continued)</b>				
Supporting services: (continued)				
Central services:				
Staff/personnel services				
Salaries	\$ 38,200	\$ 38,200	\$ 34,664	\$ (3,536)
Employee benefits	25,600	25,600	23,356	(2,244)
Purchased services	8,400	2,400	2,377	(23)
Supplies and materials	500	500	167	(333)
Total staff/personnel services	<u>72,700</u>	<u>66,700</u>	<u>60,564</u>	<u>(6,136)</u>
Data processing services				
Purchased services	26,600	22,000	29,400	7,400
Supplies and materials	500	500	488	(12)
Total data processing services	<u>27,100</u>	<u>22,500</u>	<u>29,888</u>	<u>7,388</u>
Other central services				
Salaries	301,000	296,000	292,487	(3,513)
Employee benefits	148,100	209,309	199,820	(9,489)
Total other central services	<u>449,100</u>	<u>505,309</u>	<u>492,307</u>	<u>(13,002)</u>
Total central services	<u>548,900</u>	<u>594,509</u>	<u>582,759</u>	<u>(11,750)</u>
Other support services:				
Student activities				
Salaries	143,170	155,570	150,381	(5,189)
Employee benefits	36,270	36,270	36,659	389
Total student activities	<u>179,440</u>	<u>191,840</u>	<u>187,040</u>	<u>(4,800)</u>
Total supporting services	<u>7,201,863</u>	<u>7,632,675</u>	<u>7,907,290</u>	<u>274,615</u>
Community services:				
Community activities:				
Purchased services	<u>2,450</u>	<u>2,450</u>	<u>377</u>	<u>(2,073)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Expenditures (continued)</b>				
Community services: (continued)				
Non-public school pupils:				
Purchased services	\$ 100	\$ 100	\$ -	\$ (100)
Supplies and materials	9,232	9,232	1,053	(8,179)
Total non-public school pupils	<u>9,332</u>	<u>9,332</u>	<u>1,053</u>	<u>(8,279)</u>
Other community services				
Salaries	626,143	-	182,742	182,742
Employee benefits	273,483	-	64,738	64,738
Purchased services	46,000	-	44,301	44,301
Supplies and materials	41,080	-	47,603	47,603
Total other community services	<u>986,706</u>	<u>-</u>	<u>339,384</u>	<u>339,384</u>
Total community services	<u>998,488</u>	<u>11,782</u>	<u>340,814</u>	<u>329,032</u>
Payments to other public schools	<u>27,619</u>	<u>5,443</u>	<u>-</u>	<u>(5,443)</u>
Capital outlay:				
Instruction:				
Supporting services:				
Instructional staff				
Computer assistance	<u>33,880</u>	<u>41,080</u>	<u>42,674</u>	<u>1,594</u>
Total capital outlay	<u>33,880</u>	<u>41,080</u>	<u>42,674</u>	<u>1,594</u>
Total expenditures	<u>20,346,167</u>	<u>19,780,007</u>	<u>20,183,520</u>	<u>403,513</u>
Revenue over (under) expenditures	<u>221,712</u>	<u>313,945</u>	<u>295,532</u>	<u>(18,413)</u>

continued...

**Bangor Township Schools**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Other financing sources (uses)</b>				
Transfers in	50,000	50,000	50,000	-
Transfers out	(306,000)	(316,000)	(316,000)	-
Total other financing sources (uses)	(256,000)	(266,000)	(266,000)	-
Net change in fund balances	(34,288)	47,945	29,532	(18,413)
Fund balance, beginning of year	1,491,946	1,491,946	1,491,946	-
<b>Fund balance, end of year</b>	<b>\$ 1,457,658</b>	<b>\$ 1,539,891</b>	<b>\$ 1,521,478</b>	<b>\$ (18,413)</b>

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Statement of Fiduciary Net Assets**  
**June 30, 2008**

	<b>Private Purpose Trust Funds</b>	<b>Agency Fund</b>
	<hr/>	<hr/>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 2,386
Investments		284,318
	<hr/>	<hr/>
Total assets	\$ -	\$ 286,704
	<hr/>	<hr/>
<b>Liabilities</b>		
Due to student groups	\$ -	\$ 286,704
	<hr/>	<hr/>
<b>Net assets held in trust</b>	\$ -	
	<hr/>	

The accompanying notes are an integral part of these financial statements.

**Bangor Township Schools**  
**Private Purpose Trust Funds**  
**Statement of Changes in Net Assets**  
**For the Year Ended June 30, 2008**

	<u><b>Total</b></u>
<b>Additions</b>	
Local sources	\$ -
<b>Deductions</b>	
Distributions to community foundation	<u>785</u>
Change in net assets	(785)
Net assets, beginning of year	<u>785</u>
<b>Net assets, end of year</b>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Bangor Township Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include entities for which the District is considered to be financially accountable.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2008.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *2003 bond issue capital projects fund* accounts for the renovation of certain District facilities and acquisition of capital assets. These projects are funded by a general obligation unlimited tax bond issue.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations, specifically food services, athletics, and community service activities.

The *debt service funds* are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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The *private purpose trust funds* are used to account for the activity of a scholarship and memorial fund.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### **1. Deposits**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

#### **3. Inventories**

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### 4. *Compensated absences and other termination benefits*

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units. In addition, employees with 10 or more years of service that are members of the District's teacher's and administration bargaining units are entitled to severance payouts of \$15,000 upon separation from the District. Also, teachers that were hired prior to June 1, 1994, are entitled to a \$6,000 longevity payment in their last year of employment.

### 5. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Vehicles	5-10
Equipment and other	5-10

# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

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### **6. *Long-term obligations***

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **7. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional activity basis.

All annual appropriations lapse at fiscal year end.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### B. Excess of expenditures over appropriations for budgetary funds

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures that are in excess of the amount appropriated. During the year ended June 30, 2008, the District incurred expenditures in the General Fund, which were in excess of the amounts appropriated in various activities as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>GENERAL FUND</b>			
Preschool	\$ 169,854	\$ 173,565	\$ 3,711
Guidance	438,695	441,112	2,417
Executive administration	237,400	257,108	19,708
Other business services	84,001	84,852	851
Operation and maintenance of plant	2,298,612	2,672,368	373,756
Pupil transportation	1,360,557	1,393,432	32,875
Data processing services	22,500	29,888	7,388
Other community services	-	339,384	339,384
Computer assistance capital outlay	41,080	42,674	1,594

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

##### Statement of Net Assets

Cash and cash equivalents	\$ 668,060
Investments	1,024,229

##### Statement of Fiduciary Net Assets

Cash and cash equivalents	2,386
Investments	<u>284,318</u>

Total	<u>\$ 1,978,993</u>
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# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### Notes to Financial Statements:

Deposits	\$ 670,446
Investments	<u>1,308,547</u>
Total	<u>\$ 1,978,993</u>

The District chooses to disclose its investments by specifically identifying each. As of June 30, 2008, the District had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Michigan Liquid Asset Fund	n/a	<u>\$1,308,547</u>	S & P AAAm

### *Investment and deposit risk*

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments held at year end do not have maturity dates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end \$1,157,378 of the District's bank balance of \$1,257,378 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial

# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

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credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### B. Receivables

The District's receivables at year end consist of the following:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Amount Not Expected to be Collected Within One Year</u>
<b>Receivables:</b>				
Intergovernmental	\$ 2,835,131	\$ 476,393	\$3,311,524	\$ -
Accounts receivable	2,460	-	2,460	-
Durant settlement	<u>-</u>	<u>141,503</u>	<u>141,503</u>	<u>122,289</u>
<b>Total receivables</b>	<b><u>\$ 2,837,591</u></b>	<b><u>\$ 617,896</u></b>	<b><u>\$ 3,455,487</u></b>	<b><u>\$ 122,289</u></b>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### C. Capital assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 181,770	\$ -	\$ -	\$ 181,770
Capital assets being depreciated:				
Buildings and improvements	23,445,283	343,297	-	23,788,580
Vehicles	1,132,796	248,806	(266,416)	1,115,186
Equipment and other	232,329	34,185	-	266,514
Total capital assets being depreciated	<u>24,810,408</u>	<u>626,288</u>	<u>(266,416)</u>	<u>25,170,280</u>
Less accumulated depreciation				
Buildings and improvements	(6,274,739)	(793,018)	-	(7,067,757)
Vehicles	(1,000,000)	(66,519)	266,416	(800,103)
Equipment and other	(125,259)	(31,906)	-	(157,165)
Total accumulated depreciation	<u>(7,399,998)</u>	<u>(891,443)</u>	<u>266,416</u>	<u>(8,025,025)</u>
Total capital assets being depreciated, net	<u>17,410,410</u>	<u>(265,155)</u>	<u>-</u>	<u>17,145,255</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 17,592,180</u>	<u>\$ (265,155)</u>	<u>\$ -</u>	<u>\$ 17,327,025</u>

Depreciation expense was charged to functions / programs of the primary government as follows:

Supporting services - Transportation	\$ 66,519
Food service	10,534
Depreciation - unallocated	<u>814,390</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 891,443</u></b>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### D. Payables

Accounts payable and accrued liabilities as of June 30, 2008, for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Fund Financial Statements:</b>			
Accounts payable	\$ 493,255	\$13,708	\$ 506,963
Salaries payable	1,528,079	-	1,528,079
Accrued expenses	<u>243,378</u>	<u>-</u>	<u>243,378</u>
	<u><b>\$2,264,712</b></u>	<u><b>\$13,708</b></u>	<u>2,278,420</u>

#### District-wide Financial Statements:

Accrued interest on long-term debt	<u>81,895</u>
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**Total accounts payable and accrued liabilities** **\$ 2,360,315**

### E. Interfund receivables, payables and transfers

At June 30, 2008, interfund receivables and payables in the fund financial statements consisted of the following:

	<u>Due from</u>		
<u>Due to</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 461,284	\$ 461,284
Nonmajor Funds	<u>388,452</u>	<u>-</u>	<u>388,452</u>
Total	<u><b>\$ 388,452</b></u>	<u><b>\$ 461,284</b></u>	<u><b>\$ 849,736</b></u>

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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For the year then ended, interfund transfers consisted of the following:

**Transfer from General Fund to:**

Non-major funds:	
Athletic	\$ 316,000

**Transfer from Nonmajor Funds  
(Food Service) to:**

General Fund	<u>50,000</u>
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<b>Total Transfers</b>	<b><u>\$ 366,000</u></b>
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Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2008, the District transferred General Fund funds to subsidize the athletics program and transferred Food Service Special Revenue Fund funds to pay for indirect costs incurred in the General Fund.

### **F. Operating Leases**

The District leases computers from Hewlett-Packard Financial Services Company and a copier from Wirt Financial Services under noncancelable operating leases. Total costs for such leases were \$22,644 for the year ended June 30, 2008. The future minimum lease payments for these leases are as follows:

<b>Year Ended June 30,</b>	
2009	\$ 22,644
2010	<u>5,661</u>
<b>Totals</b>	<b><u>\$ 28,305</u></b>

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### G. Long-term debt

The following is a summary of bond and loan transactions of the District for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 13,336,503	\$ -	\$ (445,000)	\$ 12,891,503	\$ 494,214
Unamortized premium	267,499	-	(20,576)	246,923	20,576
Unamortized issue costs	(59,027)	-	4,540	(54,487)	(4,540)
Unamortized discount	(35,970)	-	2,116	(33,854)	(2,116)
Accrued retirement incentive	1,023,305	-	(377,814)	645,491	212,814
Compensated absences	<u>1,167,675</u>	<u>315,756</u>	<u>-</u>	<u>1,483,431</u>	<u>-</u>
	<u><b>\$ 15,699,985</b></u>	<u><b>\$ 315,756</b></u>	<u><b>\$ (836,734)</b></u>	<u><b>\$ 15,179,007</b></u>	<u><b>\$ 720,948</b></u>

Bonds payable at June 30, 2008, are comprised of the following individual issues:

2006 refunding bonds due in annual installments  
ranging from \$15,000 to \$1,155,000 through May 1, 2024;  
interest ranging from 3.5% to 4.0%, net of discount. \$ 4,585,000

2003 Building and site bonds due in annual installments  
ranging from \$345,000 to \$1,160,000 through May 1, 2024;  
interest ranging from 2.00% to 5.00%, net of premium  
and bond issue costs. 8,165,000

1998 Durant bonds are due in annual installments  
ranging from \$3,139 to \$7,296 through May 15, 2016;  
interest rate of 4.76%; annual payments are funded  
through State revenue sources. 141,503

**\$ 12,891,503**

The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

Compensated absences and the accrued retirement incentive are generally liquidated by the general fund.

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ended June 30,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2009	\$ 494,214	\$ 492,642	\$ 986,856
2010	530,128	479,702	1,009,830
2011	561,087	459,638	1,020,725
2012	597,089	442,344	1,039,433
2013	673,984	435,178	1,109,162
2014-2018	3,780,000	1,728,512	5,508,512
2019-2023	5,100,000	861,551	5,961,551
2024	<u>1,155,000</u>	<u>46,200</u>	<u>1,201,200</u>
<b>Totals</b>	<b><u>\$ 12,891,502</u></b>	<b><u>\$ 4,945,767</u></b>	<b><u>\$ 17,837,269</u></b>

### **Advance refunding**

On January 31, 2006, the District issued general obligation bonds of \$4,615,000. Proceeds from this bond issue were used to advance refund a portion of the 2003 building and site bonds. The refunded bonds mature as scheduled on May 1, 2007 through 2024. The balance of the defeased debt outstanding at June 30, 2008, was \$4,320,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide statement of net assets.

### **Accrued retirement incentive**

A teacher that retires and will not reach age 62 within 3 months of his/her effective retirement date is entitled to a supplementary retirement benefit until he/she reaches age 62. The amount of the supplementary benefit is determined by multiplying the teacher's final year salary by 1.03%. A liability for this retirement incentive has been recognized in the government-wide financial statements at present value, using a discount factor of 4.65%. Estimated annual payments, including social security are as follows:

# BANGOR TOWNSHIP SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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<b>Year Ended <u>June 30,</u></b>	<b><u>Payment</u></b>
2009	\$ 212,814
2010	173,665
2011	121,659
2012	71,671
2013	43,609
2014-15	<u>22,073</u>
<b>Totals</b>	<b><u>\$ 645,491</u></b>

### **H. Commitments and Contingencies**

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management does not believe such disallowances, if any, will be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2008.

## **IV. OTHER INFORMATION**

### **A. Risk management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

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The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **B. Property taxes**

Property taxes are assessed as of December 31 each year and attach as an enforceable lien on property as of the following July 1. School property taxes are levied on December 1 each year, based on the previous years assessment, by Township governments whose boundaries include property within the District, and are due by February 28. Delinquent real taxes are advanced to the District by the Counties involved. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year end, if any.

### **C. Defined Benefit Pension Plan**

#### ***Plan Description***

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

#### ***Funding Policy***

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension

# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

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benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.72% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2008, 2007, and 2006, were \$1,978,205, \$2,083,458, and \$1,854,875, respectively, equal to the required contributions for each year.

### ***Other Post Employment Benefits***

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980, with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

### **D. Economic Dependency**

The District received approximately 67% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

# **BANGOR TOWNSHIP SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

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### **E. Bonded Construction Costs**

The 2003 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**Bangor Township Schools  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008**

	<u>Special Revenue</u>			<u>Debt Service</u>	
	<u>Food Services</u>	<u>Athletics</u>	<u>Community Service</u>	<u>2003 Bond Issue Debt Service Fund</u>	<u>2006 Bond Issue Debt Service Fund</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 995	\$ 770	\$ 200	\$ 37,808	\$ 10,523
Investments	325,630	-	-	173,586	60,734
Due from other governments	7,416	-	468,977	-	-
Due from other funds	-	33,570	-	56,476	-
Inventories	7,211	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 341,252</u></b>	<b><u>\$ 34,340</u></b>	<b><u>\$ 469,177</u></b>	<b><u>\$ 267,870</u></b>	<b><u>\$ 71,257</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	114	13,383	211	-	-
Due to other funds	58,785	-	341,653	-	60,846
Deferred revenue	-	-	-	-	-
Total liabilities	58,899	13,383	341,864	-	60,846
<b>Fund balances</b>					
Reserved for inventory	7,211	-	-	-	-
Unreserved, undesignated	275,142	20,957	127,313	267,870	10,411
Total fund balances	282,353	20,957	127,313	267,870	10,411
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 341,252</u></b>	<b><u>\$ 34,340</u></b>	<b><u>\$ 469,177</u></b>	<b><u>\$ 267,870</u></b>	<b><u>\$ 71,257</u></b>

<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Durant Debt Service</b>	<b>Public Improvement</b>	<b>Totals</b>
\$ -	\$ 17	\$ 50,313
-	25,588	585,538
141,503	-	617,896
-	298,406	388,452
-	-	7,211
<u>\$ 141,503</u>	<u>\$ 324,011</u>	<u>\$ 1,649,410</u>

-	-	13,708
-	-	461,284
<u>141,503</u>	<u>-</u>	<u>141,503</u>
<u>141,503</u>	<u>-</u>	<u>616,495</u>

-	-	7,211
<u>-</u>	<u>324,011</u>	<u>1,025,704</u>
<u>-</u>	<u>324,011</u>	<u>1,032,915</u>
<u>\$ 141,503</u>	<u>\$ 324,011</u>	<u>\$ 1,649,410</u>

**Bangor Township Schools**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>Special Revenue</b>			<b>Debt Service</b>	
	<b>Food Services</b>	<b>Athletics</b>	<b>Community Service</b>	<b>2003 Bond Issue Debt Service Fund</b>	<b>2006 Bond Issue Debt Service Fund</b>
<b>Revenue</b>					
Local sources	\$ 480,160	\$ 79,915	\$ 197,907	\$ 866,501	\$ 168,962
State sources	60,836	-	-	-	-
Federal sources	529,251	-	822,976	-	-
Total revenue	1,070,247	79,915	1,020,883	866,501	168,962
<b>Expenditures</b>					
Food services	1,008,072	-	-	-	-
Athletics	-	384,051	-	-	-
Community service	-	-	1,050,940	-	-
Debt service:					
Principal repayment				430,000	15,000
Interest and fiscal charges	-	-	-	314,799	182,466
Total expenditures	1,008,072	384,051	1,050,940	744,799	197,466
Revenue over (under) expenditures	62,175	(304,136)	(30,057)	121,702	(28,504)
<b>Other financing sources</b>					
Transfers in	-	316,000	-	-	-
Transfers out	(50,000)	-	-	-	-
Total other financing sources	(50,000)	316,000	-	-	-
Net change in fund balances	12,175	11,864	(30,057)	121,702	(28,504)
Fund balance, beginning of year	270,178	9,093	157,370	146,168	38,915
<b>Fund balance, end of year</b>	<b>\$ 282,353</b>	<b>\$ 20,957</b>	<b>\$ 127,313</b>	<b>\$ 267,870</b>	<b>\$ 10,411</b>

Debt Service		Capital Projects	
Durant Debt Service		Public Improvement	Totals
\$	-	\$ 6,170	\$ 1,799,615
	-	-	60,836
	-	-	1,352,227
	-	6,170	3,212,678
	-	-	1,008,072
	-	-	384,051
	-	-	1,050,940
	-	-	445,000
	-	-	497,265
	-	-	3,385,328
	-	6,170	(172,650)
	-	-	316,000
	-	-	(50,000)
	-	-	266,000
	-	6,170	93,350
	-	317,841	939,565
\$	-	\$ 324,011	\$ 1,032,915

**Bangor Township Schools**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Food Service Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue</b>				
Local sources				
Food sales	\$ 431,000	\$ 453,000	\$ 452,496	\$ (504)
Other revenue	8,000	18,000	20,241	2,241
Interest	13,000	7,000	7,423	423
Total revenue from local sources	<u>452,000</u>	<u>478,000</u>	<u>480,160</u>	<u>2,160</u>
State sources - restricted	<u>56,000</u>	<u>59,555</u>	<u>60,836</u>	<u>1,281</u>
Federal sources				
Grants	393,432	433,432	457,683	24,251
Commodities	<u>71,568</u>	<u>71,568</u>	<u>71,568</u>	<u>-</u>
Total revenue from federal sources	<u>465,000</u>	<u>505,000</u>	<u>529,251</u>	<u>24,251</u>
Total revenue	<u>973,000</u>	<u>1,042,555</u>	<u>1,070,247</u>	<u>27,692</u>
<b>Expenditures</b>				
Salaries	311,440	311,323	292,748	(18,575)
Employee benefits	150,520	129,346	121,389	(7,957)
Purchased services	15,200	19,200	20,974	1,774
Supplies and materials	477,465	591,807	565,528	(26,279)
Other expenses	<u>6,250</u>	<u>8,250</u>	<u>7,433</u>	<u>(817)</u>
Total expenditures	<u>960,875</u>	<u>1,059,926</u>	<u>1,008,072</u>	<u>(51,854)</u>
Revenue over (under) expenditures	12,125	(17,371)	62,175	79,546
<b>Other financing sources (uses)</b>				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(37,875)	(67,371)	12,175	79,546
Fund balance, beginning of year	<u>270,178</u>	<u>270,178</u>	<u>270,178</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 232,303</u></u>	<u><u>\$ 202,807</u></u>	<u><u>\$ 282,353</u></u>	<u><u>\$ 79,546</u></u>

**Bangor Township Schools**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Athletics Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources				
Athletic admissions and sales	\$ 58,075	\$ 74,356	\$ 79,915	\$ 5,559
<b>Expenditures</b>				
Salaries	188,709	196,813	191,220	(5,593)
Employee benefits	47,184	47,347	44,884	(2,463)
Purchased services	96,256	99,305	93,599	(5,706)
Supplies and materials	18,807	18,612	25,828	7,216
Other expenses	12,399	30,125	28,520	(1,605)
Total expenditures	363,355	392,202	384,051	(8,151)
Revenue over (under) expenditures	(305,280)	(317,846)	(304,136)	13,710
<b>Other financing sources (uses)</b>				
Transfers in	306,000	316,000	316,000	-
Net change in fund balance	720	(1,846)	11,864	13,710
Fund balance, beginning of year	9,093	9,093	9,093	-
<b>Fund balance, end of year</b>	<u>\$ 9,813</u>	<u>\$ 7,247</u>	<u>\$ 20,957</u>	<u>\$ 13,710</u>

**Bangor Township Schools**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance**  
**Community Service Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenue</b>				
Federal sources				
Work First Grant	\$ 1,287,719	\$ 1,254,592	\$ 822,976	\$ (431,616)
Local sources				
Participation fees	178,940	185,940	187,907	1,967
Miscellaneous	10,000	10,000	10,000	-
	<u>1,476,659</u>	<u>1,450,532</u>	<u>1,020,883</u>	<u>(429,649)</u>
Total revenue				
<b>Expenditures</b>				
Work First				
Salaries	443,414	443,414	301,184	(142,230)
Employee benefits	186,431	186,431	136,650	(49,781)
Purchased services	381,219	381,219	256,519	(124,700)
Supplies and materials	241,967	241,967	128,627	(113,340)
Other programs				
Salaries	105,657	130,421	118,674	(11,747)
Employee benefits	34,001	50,664	44,183	(6,481)
Purchased services	16,000	16,000	15,523	(477)
Supplies and materials	21,700	21,865	17,160	(4,705)
Other expenses	19,100	38,675	32,420	(6,255)
	<u>1,449,489</u>	<u>1,510,656</u>	<u>1,050,940</u>	<u>(459,716)</u>
Total expenditures				
Net change in fund balance	27,170	(60,124)	(30,057)	30,067
Fund balance, beginning of year	<u>157,370</u>	<u>157,370</u>	<u>157,370</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 184,540</u>	<u>\$ 97,246</u>	<u>\$ 127,313</u>	<u>\$ 30,067</u>

**Bangor Township Schools  
2003 Bond Issue Capital Project Fund  
Balance Sheet  
June 30, 2008**

**ASSETS**

Cash and cash equivalents	\$ -
---------------------------	------

**FUND BALANCE**

Reserved for capital projects	\$ -
-------------------------------	------

**Bangor Township Schools**  
**2003 Bond Issue Capital Project Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Fifty-Seven Month Period Ended June 30, 2008**

<b>Revenues</b>	
Local sources	\$ 536,453
<b>Expenditures</b>	
Capital outlay	<u>14,936,453</u>
<b>Revenues (under) expenditures</b>	(14,400,000)
<b>Other financing sources</b>	
Proceeds from sale of bonds	<u>14,400,000</u>
<b>Revenues and other financing sources over (under) expenditures</b>	-
Fund balance, beginning of period	<u>-</u>
<b>Fund balance, end of period</b>	<u><u>\$ -</u></u>

**Bangor Township Schools**  
**Private Purpose Trust Funds**  
**Combining Statement of Net Assets**  
**June 30, 2008**

	<b>BTS Scholarship Fund</b>	<b>Johnson Memorial</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$            -	\$            -	\$            -
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net assets</b>			
Held in trust for specific programs	\$            -	\$            -	\$            -
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**Bangor Township Schools**  
**Private Purpose Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2008**

	<b>BTS Scholarship Fund</b>	<b>Johnson Memorial</b>	<b>Total</b>
	<hr/>	<hr/>	<hr/>
<b>Additions</b>			
Local sources	\$ -	\$ -	\$ -
<b>Deductions</b>			
Distributions to community foundation	<hr/> 43	<hr/> 742	<hr/> 785
Change in net assets	(43)	(742)	(785)
Net assets, beginning of year	<hr/> 43	<hr/> 742	<hr/> 785
<b>Net assets, end of year</b>	<hr/> <hr/> \$ -	<hr/> <hr/> \$ -	<hr/> <hr/> \$ -

## **SINGLE AUDIT**

**Bangor Township Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2007	Current Year Cash Payments/ In-Kind Received	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2008
<b>U.S. Department of Agriculture</b>							
Nutrition Cluster							
Passed Through Michigan Department of Education:							
National School Lunch Breakfast							
071970 - Breakfast	10.553	\$ 7,085	\$ 6,201	\$ -	\$ 7,085	\$ 7,085	\$ -
081970 - Breakfast	10.553	78,143	67,213	-	78,142	78,142	-
Total		85,228	73,414	-	85,227	85,227	-
National School Lunch Program							
071950 - Section 4 All lunches	10.555	7,285	7,248	-	7,285	7,285	-
081950 - Section 4 All lunches	10.555	61,074	60,105	-	61,074	61,074	-
071960 - Section 11 Free & Reduced	10.555	31,311	28,759	-	31,311	31,311	-
081960 - Section 11 Free & Reduced	10.555	272,786	251,018	-	272,786	272,786	-
Total		372,456	347,130	-	372,456	372,456	-
Food Distribution							
Entitlement commodities	10.550	65,696	63,838	-	65,696	65,696	-
Bonus commodities	10.550	5,872	464	-	5,872	5,872	-
Total		71,568	64,302	-	71,568	71,568	-
Total Passed Through Michigan Department of Education		529,252	484,846	-	529,251	529,251	-
Passed Through Saginaw County:							
Work First-FAET-FA Employment and Training	10.561	32,491	20,046	-	18,017	29,921	11,904
<b>Total U.S. Department of Agriculture</b>		561,743	504,892	-	547,268	559,172	11,904
<b>U.S. Department of Education</b>							
Special Education Cluster							
Passed Through Bay Arenac Intermediate School District:							
80450 IDEA Flowthrough	84.027A	61,460	61,460	-	57,906	57,906	-
70450 IDEA Flowthrough	84.027A	53,259	53,259	18,252	18,252	-	-
70490 Transition Services	84.027A	2,405	2,001	35	35	-	-
Total		117,124	114,719	18,287	76,193	57,906	-
70460 Preschool Projects	84.173A	18,130	18,130	4,799	4,799	-	-
80460 Preschool Projects	84.173A	22,909	-	-	19,689	19,689	-
Total		41,039	18,130	4,799	24,488	19,689	-
Total Special Education Cluster		158,163	132,849	23,086	100,681	77,595	-
Passed through Michigan Department of Education:							
ESEA Title I Part A							
081530-07 Regular	84.010	222,805	-	-	203,000	205,465	2,465
071530 0607 Regular	84.010	239,745	207,698	104,834	104,834	-	-
Total		462,550	207,698	104,834	307,834	205,465	2,465

**Bangor Township Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2007	Current Year Cash Payments/ In-Kind Received	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2008
<b>U.S. Department of Education (cont.)</b>							
Passed through Michigan Department of Education (cont.):							
Technology Literacy Challenge Grants							
084290-0708 Regular	84.318	\$ 2,094	\$ -	\$ -	\$ 1,800	\$ 1,800	\$ -
074290 0607 Regular	84.318	2,461	2,461	2,461	2,461	-	-
Total		4,555	2,461	2,461	4,261	1,800	-
Title II A - Improving Teacher Quality							
060520 0506 Regular	84.367	110,081	-	67,275	67,275	-	-
080520-0708 Regular	84.367	128,395	-	-	108,306	57,258	(51,048)
070520 0607 Regular	84.367	7,249	120,105	84,681	91,930	7,249	-
Total		245,725	120,105	151,956	267,511	64,507	(51,048)
<b>Total U.S. Department of Education</b>		870,993	463,113	282,337	680,287	349,367	(48,583)
<b>U.S. Department of Health and Human Services</b>							
Passed Through Saginaw County:							
Work First WF67611-95526-07	93.558	923,144	23,308	-	326,739	326,739	-
Work First WF67611-95526-08	93.558	-	-	-	336,649	793,722	457,073
Work First TANF Support Services	93.558	123,183	-	-	26,925	26,925	-
Total		1,046,327	23,308	-	690,313	1,147,386	457,073
<b>Total U.S. Department of Health and Human Services</b>		1,046,327	23,308	-	690,313	1,147,386	457,073
<b>Total Federal Programs</b>		\$ 2,479,063	\$ 991,313	\$ 282,337	\$ 1,917,868	\$ 2,055,925	\$ 420,394

**Notes to Schedule of Expenditures of Federal Awards**

1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bangor Township Schools and is presented on the modified accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
2. Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
3. The amounts reported on the R7120 (Grant Section Auditors Report) reconcile with this schedule.
4. The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with this Schedule for USDA donated food commodities and are reported in the cash receipts column. Spoilage or pilferage, if any, is included in expenditures.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

November 13, 2008

Members of the Board of Education  
Bangor Township Schools  
Bay City, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Bangor Township Schools** as of and for the year ended June 30, 2008, and have issued our report thereon dated November 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered **Bangor Township Schools'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Bangor Township Schools'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Bangor Township Schools'** internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **Bangor Township Schools'** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of **Bangor Township School's** financial statements that is more than inconsequential will not be prevented or detected by **Bangor Township Schools'** internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by ***Bangor Township Schools***' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ***Bangor Township Schools***' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

November 13, 2008

To the Board of Education  
Bay City, Michigan

**Compliance**

We have audited the compliance of **Bangor Township Schools** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. **Bangor Township Schools'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Bangor Township Schools'** management. Our responsibility is to express an opinion on **Bangor Township Schools'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Bangor Township Schools'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Bangor Township Schools'** compliance with those requirements.

In our opinion, **Bangor Township Schools** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended November 13, 2008.

## **Internal Control Over Compliance**

The management of *Bangor Township Schools* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Bangor Township Schools'* internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Entity's internal control. We did not consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Lohman". The signature is written in a cursive, flowing style.

**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unqualified on basic financial statements*

Internal controls over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes        X   no

Significant deficiencies identified not  
considered to be material weaknesses? \_\_\_\_\_ yes        X   none reported

Noncompliance material to financial  
statements noted?

\_\_\_\_\_ yes        X   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes        X   no

Significant deficiencies identified not  
considered to be material weaknesses?   X   yes      \_\_\_\_\_ none reported

Type of auditor's report issued on compliance  
for major programs:

*Unqualified*

Any audit findings disclosed that are required to  
be reported in accordance with Circular A-133,  
Section 510(a)?

\_\_\_\_\_ yes        X   no

Identification of Major Programs:

**CFDA Number**

93.558  
10.553 and 10.555

**Name of Federal Program or Cluster**

Work First and Work First Support Services  
Nutrition Cluster

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        X   no

**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2008-1**                      Cash management and reporting of expenditures

**Grantor:**                      U.S. Department of Health and Human Services

**CFDA #:**                      93.558

**Award Name:**              Work First

**Criteria:**                      This program operates on a reimbursement basis, whereby eligible expenditures are reimbursed by the grantor agency after they are incurred by the District. In this type of situation, expenditure reports are prepared based on eligible expenditures and are submitted for reimbursement.

**Condition:**                      During the fiscal year ended June 30, 2008, the District's Central Business office was unable to submit these reports in a timely manner for reimbursement by the grantor agency.

**Cause:**                              This situation has been caused by turnover in personnel on the grant management level and lack of a centralized reimbursement request process.

**Questioned Costs:**          Unknown

**Effect:**                              The District has been noncompliant with the reporting and cash management requirements in the agreement with the grantor agency.

**Recommendation:**          The District's Central Business office should prepare expenditure reports for this grant on a monthly basis. These reimbursement requests should be prepared based upon actual expenditures during the month as recorded in the general ledger. These reports should be submitted to the grantor agency within the specified timeframes in the grant agreement.

**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**FINANCIAL STATEMENT FINDINGS**

**2007-1 Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements**

Criteria:	All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)
Condition:	As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its <i>external</i> auditors, who cannot by definition be considered a part of the government's <i>internal</i> controls.
Cause:	This condition was caused by the District's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
Effect:	As a result of this condition, the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
Status:	The District has implemented corrective action and this is not considered a finding in 2008.

**BANGOR TOWNSHIP SCHOOLS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**2007-2** Reporting revenue and expenditures of the Reed Act (Work First) program

**Grantor:** U.S. Department of Health and Human Services

**CFDA #:** 93.UNK

**Award Name:** Reed Act (Work First)

**Condition:** This program operates on a reimbursement basis, whereby eligible expenditures are reimbursed by the grantor agency after they are incurred by the District. In this type of situation, expenditure reports are prepared based on eligible expenditures and are submitted for reimbursement.

During the fiscal year ended June 30, 2007, the District's Central Business office was unable to provide these reports in a timely manner for compliance testing during the audit.

**Questioned Costs:** None

**Recommendation:** The District's Central Business office should obtain expenditure reports for this grant on a monthly basis and reconcile them to the general ledger. These reports should be made available for testing during the audit.

**Status:** The District has implemented corrective action and this is not considered a finding in 2008.